

COMPANY STRATEGY

Clearford Water charts a new path forward

The recapitalised company has moved on from its troubled past, and is pursuing a revamped ownership model for decentralised assets.

Canadian decentralised wastewater operations provider Clearford Water Systems has emerged from a protracted restructuring process as a newly private company with a fresh set of shareholders and a new go-to-market strategy.

Under its previous leadership, the company – which was formerly listed on the TSX Venture exchange – racked up an accumulated deficit of more than Can\$90 million, alongside an eye-wateringly expensive pile of debt taken out to fund a string of acquisitions.

Now, following a court-approved restructuring which saw its three largest creditors – including Swiss advisory firm Signina Capital – swap their debt for equity, the company is looking to take advantage of broad demographic and regulatory trends in its core franchise area of southern and eastern Toronto to achieve profitable growth.

“We operate about 250 smaller private wastewater treatment sites across the southern and eastern parts of Ontario, with about 100 employees based out of ten hubs,” explained company veteran Wilf Stefan, whose role as chief operating officer meant he was deeply involved in providing guidance during the restructuring process.

“Our principal emphasis right now is on the ownership model, and we have several different candidate ownership opportunities that we’re working on,” he continued. “What would happen is that Clearford would own the site and then provide the service for a fee.”

As well as its in-house operating expertise, Clearford also has engineering and compliance capabilities which it is looking to leverage in order to offer a water-as-a-service model to its clients. It currently serves smaller sites such as trailer parks, seasonal camp grounds and golf courses, and is planning to work more closely with property developers in future by taking a project management role in the construction of water and wastewater infrastructure for housing developments. Clearford would then use its accumulated knowledge

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A CLEARER FUTURE

Clearford Water veteran Wilf Stefan is carving out a brighter future for the company as a private entity, following a court-approved restructuring.



Source: Clearford

to operate the infrastructure under a long-term contract, with the option of providing a finance wrap so as to keep the capital cost off the developer’s balance sheet.

This approach is predicated both on the pressing need for additional treatment capacity in outlying areas of Ontario’s Golden Horseshoe following the exodus of people from Toronto during the early part of the pandemic, and a desire on the part of property developers to outsource the financing and operation of non-core infrastructure. At the same time, Clearford is also diversifying its client exposure, and secured its first mine clean-up contract last year, while broadening its service reach into First Nations communities.

Around 80% of Clearford’s revenue is derived from its current portfolio of O&M contracts, which typically have 3- to 5-year durations and a renewal rate in excess of 90%. While this forms the backbone of its business, the company also offers proprietary ultraviolet treatment technology

through its UV Pure subsidiary.

Although UV Pure is currently run as a separate company within Clearford, the cross-selling potential could provide meaningful sales growth going forward.

“The UV Pure product is really focused on the decentralised part of the industry, so it matches well to the type of plants that we operate,” Stefan observed. “We operate a lot of plants that need their disinfection equipment refreshed, or upgraded, or repaired, and we’ve identified all the different sites that have an ultraviolet disinfection treatment unit – either one of the earlier generations of UV Pure, or a different rival brand. We have a campaign to start approaching each of those through the sales arm of UV Pure to give the clients a discounted price.”

While the two companies are being run more or less separately, the presence of a proprietary in-house technology nevertheless has the potential to create a conflict of interest when Clearford is advising clients on the choice of technology for a new decentralised wastewater system to serve a housing development.

“Where we are technology-agnostic is really in the primary and secondary treatment phases, which is the lion’s share of the capital cost and the operating cost,” Stefan told GWI. When it comes to recommending a UV technology, he insists that UV Pure need not always be the optimum choice. “It depends on capacity. The capacity of UV Pure is limited, and so if it was a larger-sized plant, it may be more cost-effective with a different type of technology.”

While UV Pure offers perhaps the greatest potential for international sales within the restructured group, Clearford’s original small-bore sewer technology for decentralised wastewater collection continues to be rolled out in India under dynamic local head of operations Sanjay Deshpande.

By leveraging the corporate social responsibility budgets of its local partners, Clearford has played a crucial role in hooking small communities up to piped sanitation systems for the first time, using vegetated wetlands to perform the treatment function.

“It’s really an appropriate level of technology for India, with a low cost of construction and a low cost of operation,” Stefan concluded. ■